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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92047013
Party	Defendant Internet FX, Inc.
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE  
TRADEMARK TRIAL AND APPEAL BOARD**

In re Registration No. 3,064,820

Mark: NETTRAK

Registered: March 7, 2006

NeTrack, Inc.,	)	Cancellation No. 92047013
	)	
Petitioner,	)	
	)	
v.	)	
	)	
Internet FX, Inc.,	)	<b>REGISTRANT'S OPPOSITION TO</b>
	)	<b>PETITIONER'S MOTION TO STRIKE</b>
Registrant.	)	

Commissioner for Trademarks  
P.O. Box 1451  
Alexandria, Virginia 22313-1451

Pursuant to Federal Rule of Civil Procedure ("FRCP") 6(b), 37 C.F.R. §§ 2.120(a) and 2.121(a)(1), and Trademark Trial and Appeal Board Manual of Procedure ("TBMP") §§ 509.01 and 509.02, Registrant Internet FX, Inc. ("Registrant") respectfully submits this Opposition to Petitioner's Motion to Strike filed October 15, 2008 ("Motion to Strike").

**I. INTRODUCTION**

The Federal Rules of Evidence provide no plausible basis on which to ask the Board to strike evidence submitted in support of Registrant's Motion to Reopen Discovery Period and Reset Testimony and Trial Periods ("Motion to Reopen"). Instead, Petitioner's Motion to Strike is a diversionary tactic intended to take the focus off Petitioner's petty refusal to consent to a short 90-day reopening of the discovery period. Moreover, the lack of legal support for the Motion to Strike simply highlights the extent to which Petitioner will go to preserve the advantage of "litigation surprise" that Petitioner gained when it silently served discovery on Registrant in August 2007, during a time when Petitioner knew the Registrant was waiting patiently for Petitioner's response to a fully drafted settlement document.

Despite the discussion in Petitioner's Motion to Strike regarding Federal Rules of

Evidence (“FRE”) 401, 403 and 408, there is no irrelevant, prejudicial or inadmissible evidence offered in support of Registrant’s Motion to Reopen. Petitioner’s FRE 401 argument illogically asserts that the fact of settlement discussions is irrelevant to the Motion to Reopen. In fact, the existence of Petitioner’s and Registrant’s settlement exchanges – which Petitioner never denies to be the case – is central to the bases for Registrant’s showing of excusable neglect. Petitioner’s contorted FRE 403 argument – that confusion or unfair prejudice will be introduced to this proceeding because the existence of settlement discussions is considered by the Board – completely ignores the fact that the Board routinely considers whether or not *bona fide* settlement discussions exist as a basis for resetting schedules in its proceedings or suspending them.

Finally, Petitioner’s attempted reliance on FRE 408 mischaracterizes both the nature of Registrant’s evidence in support of its Motion to Reopen as well as the clear language of Rule 408. Simply put, no evidence in support of Registrant’s Motion to Reopen is offered to prove liability or invalidity of any claim by Petitioner; therefore, the motion does not fall within the ambit of FRE 408. Moreover, none of the statements or evidence that Petitioner seeks to strike in Exhibit A to its Motion to Strike rely upon any more than the mere factual existence of settlement exchanges between the parties.

For these reasons, the Board should deny Petitioner’s Motion to Strike.

## **II. DISCUSSION**

### **A. The Fact of Settlement Discussions Is Highly Relevant to Registrant’s Motion to Reopen.**

Simplifying its FRE 401 argument, Petitioner’s Motion to Strike makes the preposterous assertion that Registrant’s good faith belief that this proceeding could be settled by the parties is irrelevant to the reasons why Registrant did not serve discovery on Petitioner. (Motion to Strike, pgs. 4-6.)

FRE 401 defines “relevant evidence” as evidence tending to make the existence of any fact more probable or less probable than it would be without the evidence. *See* Fed. R.

Evid. 408. Here, the existence of settlement negotiations between the parties is highly relevant to several of the four factors for the excusable neglect test that the Board must consider under *Pioneer Investment Servs Co. v. Brunswick Assocs. Ltd. Partnership*, 507 U.S. 380, 392 (1993).

Specifically with respect to the second *Pioneer* factor, the length of the delay and impact on judicial proceedings, both the timeline of the parties' 2007 settlement communications as well as Registrant's contact with Petitioner after the Board's August 28, 2008 Order are directly relevant to the 90-day reopening of discovery requested by Registrant. In addition, assessment of the third *Pioneer* factor, the reason for the delay, relates directly to the fact that Registrant did not serve discovery because Registrant was waiting in good faith for Petitioner's comments on a written draft settlement agreement. Finally, in regard to the fourth *Pioneer* factor, whether the movant acted in good faith, Registrant's view that serving discovery was unnecessary and counterproductive due to fact of the parties' settlement exchanges is directly relevant to Registrants' *bona fide* belief that settlement was imminent. Hence, the parties settlement communications are relevant and admissible under FRE 401.

**B. No Evidence Submitted in Support of Registrant's Motion to Reopen Is Prejudicial or Will Lead to Confusion in this Proceeding.**

TMBP section 605.01 provides, "[t]he Board encourages settlement, and several aspects of Board practice and procedure, including its liberal discovery practice ... and its usual willingness to suspend proceedings in pending cases while parties negotiate for settlement serve to facilitate the resolution of cases by agreement." The very operation of this rule is based upon one or both of the parties advising the Board of the existence of settlement discussions as a basis for the Board to extend discovery periods or suspend proceedings in pending cases. Contrary to Petitioner's suggestion, the Board as a general rule is not prejudiced or confused by these submissions as to the status of settlement exchanges, and will not be so in this case.

Furthermore, an examination of the Motion to Strike's Exhibit A, which contains the portions of Registrant's Motion to Reopen Discovery and supporting declaration that Petitioner proposes to strike, shows that each of the 19 entries merely contain references to the fact that

settlement communications were occurring, not the substance of the terms being exchanged. In each and every case, these references simply establish that the parties considered settlement short of litigation, exchanged a settlement draft, or discussed settlement in subsequent written and telephone communication, without revealing substantive communications regarding the parties' rights. The references in Exhibit A should not be excluded because they are prejudicial.

**C. Federal Rule of Evidence 408 Does Not Prohibit the Use of Evidence that Registrant Has Offered in Support of Its Motion to Reopen.**

Without a single case in support, Petitioner asserts that Registrant's evidence submitted in support of its Motion to Reopen must be struck as inadmissible because it violates the public policy behind FRE 408. However, under FRE 408, evidence of offers or acceptances of compromise are only inadmissible "to prove liability for or invalidity of the claim or its amount." Fed. R. Ev. 408. If offered for some other purpose than liability for or invalidity of a claim, the evidence is admissible. *See Cohn v. Petsmart, Inc.*, 281 F.3d 837, 840 (9th Cir. 2002) (settlement letter offered to establish value of trademark for jurisdictional purposes, not to establish liability, was admissible); *Starter Corp. v. Converse, Inc.*, 170 F.3d 286, 293 (2d Cir. 1999) (settlement evidence inadmissible because it was not used to prove liability for infringement claim, but to establish that alleged infringer was estopped from using disputed mark on certain goods); Wright & Graham, *Federal Practice and Procedure: Evidence* § 5308.

Registrant's Motion to Reopen does not put any claim, liability therefore, or amount of a claim in this proceeding at issue. Instead, Registrant's motion is targeted only at reopening the discovery schedule in the proceeding, and has no bearing on any claim or liability under Petitioner's cancellation petition. Further, each of the 19 entries that Petitioner includes in its Exhibit A are merely references to the fact that settlement communications were occurring, the dates on which communications occurred, or whether such communications were in writing or by telephone. These entries do not divulge the parties' views on their respective claims or liabilities. Accordingly, there is no support for striking the 19 entries listed in Exhibit A to Petitioner's Motion to Strike because Registrant's evidence on the basis that such evidence is

inadmissible under FRE 408.

**D. Motions to Strike are Disfavored**

While the Board may strike from a pleading any redundant, immaterial, impertinent or scandalous matter (Fed.R.Civ.P. 12(f), TBMP 506.01) motions to strike are generally disfavored. Hence, matter will not be stricken unless it clearly has no bearing upon the issues in the case. *See Leon Shaffer Golnick Advertising, Inc. v. William G. Pendil Marketing Co., Inc.*, 177 U.S.P.Q.2d 401, 402 (TTAB 1977); *FRA S.p.A. v. Surg-O-Flex of America, Inc.*, 415 F. Supp. 421 (S.D.N.Y. 1976). Because the parties' communications are admissible under the plain language of F.R.E. 408, directly bear upon Registrant's claim of excusable neglect for failure to serve discovery during the discovery period, and do not prejudice Petitioner before the trier of fact, Petitioner's request to strike the material in Registrant's motion should be denied.

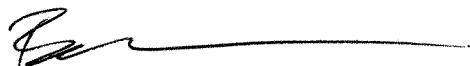
**III. CONCLUSION**

For the foregoing reasons, Petitioner's Motion to Strike the portions of Registrant's Motion to Reopen and the Anderson Declaration, as reflected in the Motion to Strike's Exhibit A, should be denied in its entirety. Further, Registrant's evidence in support of its Motion to reopen should be fully considered in the context of the matter now before the Board.

Respectfully submitted,

MANATT, PHELPS & PHILLIPS, LLP

Dated: November 4, 2008

By:   
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CERTIFICATE OF SERVICE

I hereby certify that the foregoing REGISTRANT'S OPPOSITION TO PETITIONER'S MOTION TO STRIKE has been served upon the Petitioner by depositing it with the United States Postal Service as first class mail, postage prepaid, in a sealed envelope addressed to:

Carl Oppedahl, Esq.  
Oppedahl Patent Law Firm, LLC  
P.O. Box 4850  
Frisco, CO 80443-4850

on this 4th day of November, 2008.

A handwritten signature in cursive script, appearing to read "Linda Allen", is written over a horizontal line.

Linda Allen